

1/18/79

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THE PRESIDENT'S SCHEDULE

Thursday - January 18, 1979

6:45 Dr. Zbigniew Brzezinski - The Oval Office.

7:15 Depart South Grounds via Motorcade en route
Washington Hilton Hotel.

7:30 National Prayer Breakfast.

9:20 Return to the White House.

10:15 Meeting with the Congressional Black Caucus.
(30 min.) (Mr. Frank Moore) - The Cabinet Room.

11:15 Mr. Jody Powell - The Oval Office.

11:55 His Excellency Ola Ullsten, Prime Minister of
(5 min.) Sweden. (Dr. Zbigniew Brzezinski) - Oval Office.

12:00 Lunch with Vice President Walter F. Mondale.
(60 min.) The Oval Office.

2:00 Meeting with Secretary Joseph Califano et al.
(60 min.) (Mr. Stuart Eizenstat) - The Cabinet Room.

THE WHITE HOUSE
WASHINGTON

1/18/79

Bob Lipshutz

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

THE WHITE HOUSE

WASHINGTON

January 8, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

ROBERT LIPSHUTZ *RL*

RE:

Executive Orders Entitled:

- (1) Issuance of Food Stamps by the Postal Service, and
- (2) Permanent American Cemetery in the Republic of Panama

(1) The first attached Order would authorize the Postal Service to issue food stamps to eligible households upon the request of the appropriate state agency. The Order was submitted by the Postal Service and is acceptable to Agriculture.

(2) The second proposed Order implements certain reservations of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal. These reservations require the United States and Panama to negotiate for a permanent American cemetery at Corozal in the Canal Zone, and for the President to announce plans to remove the remains of U.S. citizens from Mt. Hope Cemetery to Corozal Cemetery before the Treaty takes effect. Another clause of the reservation requires the Secretary of the Army to leave in Mt. Hope the remains of any citizen whose next of kin object to the transfer and to remove those remains to the United States at government expense for reinterment.

Both Orders have been approved by OMB and Justice; we recommend that you approve both.

☒

Approve

☐ Disapprove

(TWO SIGNATURES NEEDED)

J

EXECUTIVE ORDER

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PERMANENT AMERICAN CEMETERY IN THE
REPUBLIC OF PANAMA

By the authority vested in me as President by the Constitution and the laws of the United States of America, including Section 10 of the Act of March 4, 1923 (42 Stat. 1509), as amended (36 U.S.C. 132), and to implement the intent of the United States Senate (124 Cong. Rec. S 3857 of March 16, 1978) as set forth by Reservations (1) and (3) to the Resolution of Ratification of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, it is hereby ordered as follows:

1-101. The Secretary of State shall take all appropriate steps to complete, prior to the date of entry into force of the Treaty Concerning the Permanent Neutrality and Operation of the Panama Canal, hereinafter referred to as the Neutrality Treaty, the negotiations which have begun with the Republic of Panama for an agreement under which the United States of America would, upon the date of entry into force of such agreement and thereafter, administer as a permanent American cemetery such part of Corozal Cemetery as encompasses the remains of citizens of the United States of America.

1-102. Subject to the conclusion of the agreement referred to in Section 1-101 of this Order, the American Battle Monuments Commission shall administer that part of Corozal Cemetery which encompasses the remains of citizens of the United States of America, in accordance with the terms of the agreement with the Republic of Panama.

1-103. The Governor of the Canal Zone shall, to the extent funds are available, disinter from Mount Hope Cemetery, before entry into force of the Neutrality Treaty, and reinter in Corozal Cemetery the remains of United States citizens, and the remains of members of their immediate family that are buried with them. The Governor shall not remove from Mount Hope Cemetery the remains of any such person whose next of kin timely requests in writing that such remains not be disinterred. The Governor shall transport to the United States for reinterment the remains of any such person whose next of kin timely requests in writing that such remains be transported to the United States for reinterment.

1-104. The Secretary of Defense shall, to the extent funds are available, disinter from Corozal Cemetery and transport to the United States for reinterment the remains of United States citizens, and the remains of members of their immediate family buried with them, whose next of kin requests in writing by April 1, 1982, that such remains be transported to the United States for reinterment.

1-105. Subject to the availability of funds, all the costs incurred in the disinterment, reinterment in Corozal Cemetery, and transportation of remains required by this Order, including the costs of preparation, cremation if requested, and a casket or urn, shall be borne by the United States of America. The costs of reinterment in the United States, including any costs for funeral home services, vaults, plots, or crypts, will be the responsibility of the next of kin making the request, except to the extent otherwise provided by law, including any unused specific entitlements available pursuant to statute.

1-106. (a) The Governor of the Canal Zone shall identify, to the extent feasible, the closest surviving next of kin of each deceased United States citizen buried in the Mount Hope and Corozal Cemeteries, and of such next of kin of each member of the immediate family that is buried with such United States citizen.

(b) The Governor shall provide notice to the next of kin of such deceased buried in Mount Hope Cemetery that the Government plans to remove the deceased to Corozal Cemetery unless the next of kin requests in writing, not later than three months after the first issuance of such notification, either that the remains not be removed from Mount Hope Cemetery, or that the remains be moved to, and reinterred in, the United States in a cemetery or other burial site designated by the next of kin.

(c) The Governor shall also provide notice to the next of kin of such deceased who are buried in Corozal Cemetery that the Government will disinter and transport such deceased to the United States for reinterment in a cemetery or other burial site designated by the next of kin, if the next of kin so requests in writing not later than April 1, 1982.

(d) The Governor shall publish the notices provided for in subsections (b) and (c) of this Section in appropriate newspapers, magazines and other periodicals, and utilize such other means of communicating with the next of kin that he finds to be practical and effective.

1-107. The Governor of the Canal Zone shall, before the entry into force of the Neutrality Treaty, fully advise the next of kin of all available options, and their implications, in those cases where a request has been made that remains not be removed from Mount Hope Cemetery.

1-108. The Secretary of the Army shall supervise the planned removal of the remains from Mount Hope Cemetery to Corozal Cemetery and shall ensure compliance with the wishes of any next of kin who, within the time specified in clause B(i) to the Third Reservation to the Neutrality Treaty, objects to such removal.

1-109. As used in this Order:

(a) "Next of kin" means the person whom the Governor of the Canal Zone determines to be the nearest living relative, by consanguinity or affinity, of a person buried at Mount Hope Cemetery or Corozal Cemetery.

(b) "Members of their immediate family" means the spouse, children, mother or father of the deceased United States citizen.

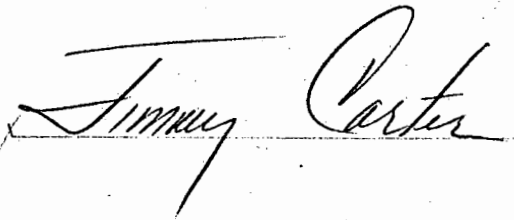
A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed text "THE WHITE HOUSE,".

THE WHITE HOUSE,

EXECUTIVE ORDER

ISSUANCE OF FOOD STAMPS BY THE POSTAL SERVICE

By the authority vested in me as President of the United States of America by Section 11(k) of the Food Stamp Act of 1977 (91 Stat. 974; 7 U.S.C. 2020 (k)), the United States Postal Service is hereby granted approval for post offices in all or part of any State to issue food stamps to eligible households, upon request by the appropriate State agency, as defined in Section 3(n) of the Food Stamp Act of 1977 (91 Stat. 960; 7 U.S.C. 2012(n)).

A handwritten signature in cursive script, reading "Jimmy Carter", written in dark ink. The signature is positioned above a horizontal line.

THE WHITE HOUSE,

THE WHITE HOUSE

WASHINGTON

January 16, 1979

NOTE FOR THE PRESIDENT

FROM: BERNIE ARONSON/ACHSAH NESMITH *BA* *AN*

SUBJECT: National Prayer Breakfast

Archbishop Fulton Sheen speaks before you.
Congressman Richard T. Schulze (R) of
Pennsylvania is presiding.

THE WHITE HOUSE

WASHINGTON

January 16, 1979

MEMORANDUM TO THE PRESIDENT

FROM: BERNIE ARONSON/ACHSAH NESMITH

SUBJECT: Talking Points for National Prayer Breakfast 1/18/79

1. This is my third National Prayer Breakfast as President. The first was one of my first official duties as President. These breakfasts are not an occasion for making a public spectacle of piety, but for the leadership of our nation, along with many foreign dignitaries, to join together humbly to share our faith and to seek a higher guidance and strength in meeting our responsibilities.

2. When I was in Atlanta Sunday, Dr. Benjamin Mays, President Emeritus of Morehouse College, gave the opening prayer. He mentioned many of the serious problems that face us both at home and abroad, and said, "We thank thee, God, that our President has done something about several of these problems."

It was an honest prayer. Dr. Mays is an honest man and when we pray, even when we pray for our friends, we dare not be anything but honest. That is one of the great side-benefits of prayer--in trying to pray about our needs and our situation we are forced to see things as they are, to see just where we have fallen short and how far we have to go. So I was thankful that at least Dr. Mays could say I had done something about several of the problems that face us as a nation, even as he sought God's help for all the leaders of this nation in solving those that remain and will emerge in the coming months.

3. The other thought that occurred to me as Dr. Mays spoke was that not only was this kind and wise man asking God to help me, but that all over the nation thousands of our people, both humble and powerful, known and unknown, were seeking God's guidance in the life of our nation, and praying for those of us who must lead it. That knowledge strengthens me, just as I'm sure it strengthens you in the Congress and the members of the Supreme Court, to know that we have the power of all those prayers behind us, sustaining us each day, as we carry out our responsibilities and make decisions.

Later in that same program Sunday, Martin Luther King Sr. said, "hate is still in this world."

One of the very sad things, to me, is that a lot of the hate in this world today is in the name of religion. There can be no war more tragic than religious war--whether it is between nations or within nations--because it turns men's highest motives and aspirations toward killing and destruction.

This country has not always lived up to the boldest and most basic of our founding dreams, but I think in the matter of freedom of conscience we have truly come close. Many of our founders were deeply religious men. They did not all agree, by any means, on their religious beliefs--only on the importance of freeing every person to worship, or not, as he or she saw fit.

It is not always an easy course to follow when you believe deeply in something, not to try to impose the dictates of your conscience on the lives and choices of other people. It is one of the greatest challenges of our system of government to free people to practice their religion and at the same time not degrade the importance of religion in their lives. Each individual soul and the nation as a whole sorely needs the firm moral foundation of religious belief.

Even those who do not claim to believe in God feel the need for some kind of regular communion--if not prayer, then meditation--to get their minds and hearts in tune with what is important, with their own deepest needs and convictions and in accord with nature or whatever larger forces they acknowledge. To me, that is the significance of this national prayer breakfast--to acknowledge that in the diversity of our beliefs and practices there is a need for this constant return and renewal and sustenance that for me is met by prayer --my own and the prayers of others in my behalf.

5. Men like Benjamin Franklin and John Adams worried a lot about what prosperity and the opportunity for luxuries would do to our people. Half a century later Alexis de Tocqueville expressed concern over the special dangers of materialism for a democracy. He warned that "democracy encourages a taste for physical gratification," and that "men may perpetually give way to their daily casual desires, and that, wholly renouncing whatever cannot be acquired without protracted effort, they may establish nothing great, permanent and calm."

Our world is full of distractions and the opportunities for momentary satisfaction. De Tocqueville said that one of the most important duties the leaders of a democracy could perform was to keep the people's attention focused beyond momentary pleasures, lest we forget our true goals and lose the use of what he described as our "sublimest faculties."

My prayer as we begin this new year together is that, despite the rush of modern life, the constant onslaught of demands on our time and energies, the problems that beset us, we will be able to recognize the need to build something "great, permanent and calm."

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THE PRESIDENT AND MRS. CARTER'S ATTENDANCE
AT THE NATIONAL PRAYER BREAKFAST

Thursday, January 18, 1979

Washington Hilton Hotel

7:15 am The President and Mrs. Carter board motorcade
on South Grounds.

MOTORCADE DEPARTS South Grounds en route
Washington Hilton Hotel.

(Driving time: 10 minutes)

7:25 am MOTORCADE ARRIVES Washington Hilton Hotel.

PRESS POOL COVERAGE
CLOSED ARRIVAL

The President and Mrs. Carter proceed via elevator
en route holding room area.

7:26 am The President and Mrs. Carter arrive holding room
area for meeting with international leaders (see
attached).

OFFICIAL PHOTO COVERAGE
ATTENDANCE: 20

7:45 am Meeting concludes.

The President and Mrs. Carter proceed to
Cabinet Room.

7:46 am The President and Mrs. Carter arrive Cabinet
Room for meeting with Head Table Guests.

OFFICIAL PHOTO COVERAGE
ATTENDANCE: 25

7:52 am Meeting concludes.

The President and Mrs. Carter depart Cabinet Room en route holding room for meeting with Jang Hwan (Billy) Kim, Dr. Lyun Joon Kim, and Ik Joon Kim.

7:57 am The President and Mrs. Carter depart holding room en route offstage announcement area.

7:59 am Announcement.

The President and Mrs. Carter proceed inside International Ballroom and take their seats for the National Prayer Breakfast.

OPEN PRESS COVERAGE
ATTENDANCE: 2800

8:00 am Opening Song.

8:03 am Remarks by Sen. Lawton Chiles (D-Florida).

8:06 am Opening Prayer by Dr. Billy Graham.

8:10 am Introduction of Head Table Guests by Rep. Richard Shultze (R-Pa.).

8:14 am Old Testament Reading by Sec. Juanita Kreps.

8:17 am New Testament Reading by Sec. Cecil Andrus.

8:20 am Prayer for National Leaders by Sen. Mark Hatfield (R-Oregon).

8:23 am Musical selection by Dr. Thomas Tipton.
8:29 am Remarks by Rev. Fulton J. Sheen.
8:44 am Introduction of the President by Rep. Shultze.

8:45 am Presidential remarks.

FULL PRESS COVERAGE

9:00 am Remarks conclude.

Closing prayer.

Closing song.

9:05 am The President and Mrs. Carter thank their hosts
and proceed to motorcade for boarding.

9:10 am MOTORCADE DEPARTS Washington Hilton Hotel
en route South Grounds.

(Driving time: 10 minutes)

9:20 am MOTORCADE ARRIVES South Grounds.

INTERNATIONAL LEADER'S MEETING

prior to the

NATIONAL PRAYER BREAKFAST - JANUARY 18, 1979

Mr. 'Lere A. Adesina
President of his own company
'Lere Adesina and Company
Nigeria

Mr. Peter Mills
Member, British Parliament

The Honorable Warren Allmand
Minister of Consumer and Corporate Affairs
Canada

Mr. Taro Aso
President of Aso Cement Corporation
Grandson of former Japanese Prime Minister Yoshida

Mr. Mohammed Berrada
President of Association of Moroccan Affairs
Morocco

The Honorable Joshua D. V. Cavalevu
Minister of Fijian Affairs
Fiji

Mr. Kumar P. Gera
Civil Engineer
President of Jaycee's International for 1979
India

Mr. Graham Lacey
Industrialist
Great Britain

The Honorable Father Walter Lini
President of Vanaaku Party
New Hebrides

Mr. Kanji Maeda
President, Sansynsya Publishing Company, Limited
Past President, Jaycees International
Japan

The Honorable Hosea Mina
Chief Magistrate
New Guinea

Mrs. Lawrence Norman
Daughter of President Tolbert
Liberia

Mr. Carl Peterson
Financial Consultant for his own firm in Guam
1978 President of Jaycees International in Guam

Mr. Peter Radel
Chairman of National Television Industry
Austria

Mr. John M. Templeton
Founder of Templeton Foundation
Retired Businessman
Bahamas

Along with:

The Honorable Mark Hatfield
United States Senator

The Honorable Harold Hughes
Former United States Senator

The Honorable Marion Barry
Mayor of Washington, D.C.

Mr. Douglas Coe

Special Guests in Cabinet Room

The Honorable Griffin Bell
Attorney General
Department of Justice
Washington, D.C. 20530

The Honorable Bob Bergland
Secretary
U.S. Department of Agriculture
Room 200-A
Washington, D.C. 20250

The Honorable Zbigniew Brzezinski
The White House
Washington, D.C. 20500

The Honorable Warren E. Burger
Chief Justice
The Supreme Court
First Street, N.E.
Washington, D.C. 20543

The Honorable Joseph A. Califano, Jr.
200 Independence Avenue, S.W.
Washington, D.C. 20201

The Honorable and Mrs. Cliff Finch
Governor
Executive Mansion
Jackson, Mississippi 39205

The Honorable Edward J. King
Governor
20 Dix Street
Winthrop, Massachusetts 02152

The Honorable Richard W. Riley
Governor
Brown Building Room 420
1205 Pendleton Street
Columbia, South Carolina 29201

The Honorable Richard Snelling
Governor
State House
Montpelier, Vermont 05602

The Honorable Andrew Young
U.S. Mission to the United Nations
799 United Nations Plaza
New York, New York 10017

Senator and Mrs. Lawton Chiles
6612 Malta Lane
McLean, Virginia 22101

Dr. Billy Graham
Post Office Box 937
Montreat, North Carolina 28757

Congressman and Mrs. Richard Schulze
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Juanita Kreps
Secretary of Commerce
Department of Commerce
14th Street
Washington, D.C. 20230

The Honorable Cecil D. Andrus
Secretary of the Interior
Department of the Interior
1800 C Street N.W.
Washington, D.C. 20240

Senator and Mrs. Mark Hatfield
3051 N Street N.W.
Washington, D.C. 20007

Archbishop Fulton J. Sheen
366 Fifth Avenue
New York, New York 10001

Mr. Justice and Mrs. Harry A. Blackmun
1701 North Kent Street
Arlington, Virginia 22209

Dr. and Mrs. Thomas H. Tipton
Vanguard Advertising Company
Suite 485
15 South Ninth Street
Minneapolis, Minnesota 55402

Emanuel Kothries
Chairman, Relief Commission, Greece

Head Table
1979 Prayer Breakfast

1. SENATOR CHILES
2. MRS. CHILES
3. DR. TIPTON
4. MRS. TIPTON
5. THE SECRETARY OF COMMERCE
6. MR. JUSTICE BLACKMUN
7. MRS. BLACKMUN
8. ARCHBISHOP SHEEN

PODIUM

9. MR. SCHULZE
10. MRS. SCHULZE
11. THE PRESIDENT
12. MRS. CARTER
13. DR. GRAHAM
14. THE SECRETARY OF THE INTERIOR
15. MRS. HATFIELD
16. SENATOR HATFIELD
17. Emanuel Kothries

Congress of the United States

House of Representatives • Washington, D.C. 20515

January 16, 1979

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

The Congressional Prayer Breakfast Committee is very pleased to be able to work with you on this year's National Prayer Breakfast. Let me also express our gratitude for your leadership in spiritual matters.

Enclosed is a briefing which gives you an updated report on the developments among the men and women involved in this worldwide fellowship of believers.

Please know that our prayers are with you in this very difficult period of our nation's life.

Very sincerely,



RICHARD T. SCHULZE
Member of Congress

COMMITTEE

Senators - Dewey F. Bartlett, Lawton Chiles, Clifford P. Hansen, Mark O. Hatfield, Richard G. Lugar, Sam Nunn, Jennings Randolph, John C. Stennis.

Representatives - Berkley Bedell, Don Bonker, Jack Brinkley, Elwood Hillis, Marjorie S. Holt, G.V. (Sonny) Montgomery, John T. Myers, Richard T. Schulze, Arlan Stangeland.

PLEASE RESPOND TO:

☐ 432 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
(202) 225-8761

☐ 2 EAST LANCASTER AVENUE
PAOLI, PENNSYLVANIA 19301
800-362-5652 (TOLL FREE)
215-648-0555

BRIEFING - on the National Prayer Breakfast
and a fellowship of men and women around the world

For more than thirty years, members of the United States Senate and House of Representatives have met privately once a week, when Congress is in session, to discuss and pray about the issues facing them and the needs of the nation and the world. As members of these groups speak at prayer breakfasts and meetings around this country and in other nations, similar groups have begun to meet in many parts of the world.

In 1959, the first Governor's Prayer Breakfast was held. This year, similar prayer breakfasts, patterned after the National Prayer Breakfast, will be held in more than forty states and over 500 cities. Literally thousands of other small groups meet on a regular basis around the country. Participants in these groups include people who have been elected to positions of responsibility or who are opinion makers because of their influence and role in society as well as students, senior citizens, and others.

There are many leadership groups that meet in various agencies throughout the Executive Branch of the government. In 1974, judges from each of the courts within the District of Columbia began meeting under the chairmanship of a member of the Supreme Court. The format of the Senate and House groups is followed, with a different judge or justice leading each time.

Annual prayer breakfasts are held at the national conventions of many associations. College and university students take part in seminars, retreats, group meetings, and other activities.

The common thread in all of these gatherings is a desire to have a deeper knowledge of Jesus Christ and His guidance in dealing with the practical issues of our lives. It is encouraging to see how people are seeking to care for others on a personal rather than on an institutional basis.

INTERNATIONAL ASPECTS

In sixty to eighty countries men and women are meeting in small groups to encourage one another in their personal faith.

In England, Members of Parliament meet regularly in the Speaker's dining room under the leadership of the Speaker of the House of Commons. An average of twenty members take part in fellowship, Bible reading, and prayer for the needs of Members.

In the Philippines, a National Prayer Breakfast was held November 30, 1978, with Cardinal Jaime Sin as the speaker. There are several leadership breakfast groups in Manila and there have been three Provincial prayer breakfasts.

The difficulties in South Africa are well documented but the reconciling forces are not as obvious. In recent years several small groups have been meeting in which people of differing philosophical and political views have experienced agreement in Christ. Even though blacks and whites have been able to meet together in these fellowship groups, it is not an attempt to "use" Christ to accomplish political ends. However, as the power of the Spirit is released for change, there is hope for the future.

Developments similar to these are taking place in Spain, Austria, France, Ireland, Indonesia, Japan, Egypt, Scandinavia, and countries throughout West Africa, Latin America, and the Caribbean.

UNITED STATES

Small leadership or private prayer and discussion groups are meeting throughout every state in the nation in businesses, industry, government offices, prisons, universities, high schools -- at all levels of society. This desire to meet with others for fellowship and prayer in both religious and secular organizations is increasing among the American people.

The idea of these small gatherings for fellowship is spreading throughout Alaska. There have been several Governor's Prayer Breakfasts and last year Alaska sent representatives to the National Prayer Breakfast.

Men and women throughout Hawaii meet regularly at small breakfasts for prayer and fellowship. In Honolulu, State Legislators and other public servants meet weekly. This prayer breakfast group has grown from a handful of men to about forty people.

In addition, there are breakfast and lunch gatherings in Honolulu available to three distinct groups: the Military establishment (chiefly at Pearl Harbor), the downtown businessmen, and political leaders in all government branches.

WOMEN

There has been an exciting growth in the number of women's prayer retreats during the past year. These retreats frequently are hosted by the wives of mayors and governors. Groups of young mothers also have begun meeting for prayer and fellowship, in the hope of strengthening their families.

In Washington, D.C., groups of Congressional wives, news media wives, and Judicial wives meet regularly for prayer. There also has been an effort to link together in fellowship the thousands of young women who come to Washington to work in government.

NATIVE AMERICAN LEADERSHIP

Well attended fellowship breakfasts were sponsored at the annual conventions of the National Tribal Chairman's Association (held in Minneapolis in 1977). Those involved with the native American group had some impact on the spiritual implications of "The Longest Walk." They have participated in Governors' and Mayors' prayer breakfasts and numerous other meetings in which Indian brothers have been involved.

In September, the brothers encouraged a breakfast at the National Congress of American Indians Convention in Rapid City. Formerly a back-room event, it is now an accepted part of the gathering.

Perhaps the most significant event took place in Nashville, Tennessee, where federally and non-federally recognized Indians from throughout the country met together. These groups have long been rivals and political enemies. This large prayer breakfast was sponsored by the National Congress of American Indians.

In recent years, an Indian seminar has been held following the National Prayer Breakfast.

URBAN DEVELOPMENT

The urban work seeks to serve Christ by meeting the needs of the inner-city poor, elderly, and destitute. All who contribute their resources, talents, and/or prayers are members of this endeavor.

The vision of the urban work is to make Washington, D.C. a model city by releasing the power of Christ here. Members come not to dictate but to serve, to bring comfort to the needy, and reconciliation, trust, and love to all.

The urban team plays the role of a catalyst, working as an advocate for the poor to those who are able to provide help. Members work with local churches, private companies, community groups, and the government. The main objective is to encourage and assist suburban and urban churches to be actively involved with people in the city.

The work is currently concentrating on a Model Block Project between Third and Fourth and M and N Streets, N.W. A relationship of trust is being built with the community through physical rehabilitation of living quarters and the meeting of social needs through government and community providers.

The congregation of the First Church of God is actively participating in the work as well as serving as the host church for monthly pot luck dinners. These activities are designed to make Christ's message relevant to those who are served. The final goal: 100 blocks, involving at least 100 churches in the Washington area.

One of the most interesting developments in Washington, D.C. in the last two years has been a regular private meeting of the members of the D.C. Cabinet. At Christmas these city officials have sponsored a banquet for underprivileged families, which has been an exciting time for about 1,500 children.

PRISONS

More than a dozen furloughed Federal inmates were involved during the first Washington Prison seminar in mid-1975. These inmates then developed fellowship groups inside the prisons. Fifteen seminars have now been conducted, six of them during the past year.

One week "in-prison" seminars attended by inmates and community volunteers help stimulate and solidify Christ-centered communities inside and outside the institution. Twenty-seven in-prison seminars were conducted in 1978. Last year, more than 750 inmates were united with volunteers, resulting in exchanges of letters and visits to the inmates. These one-to-one relationships are helping to curb repeat offenses after release, dramatically reducing the number of crimes committed by ex-offenders.

In Washington, D.C. there has been a concentrated effort and concern for the Lorton correctional facility. There is growing coordination with local churches and other organizations to help the desperately needy men and women behind bars.

BUSINESS

An important link between labor and management was established on December 2, 1978 in Pittsburgh at the First Annual International Labor-Management Prayer Breakfast. The breakfast was sponsored by Lloyd McBride, President, USWA, and George Stinson, Chairman, National Steel Corporation. Canada's former Deputy Prime Minister said, "It was the most unique event in the annals of business-labor relations ever to take place in the Western world." Over two thousand people, from coal miners to corporate presidents, sat side by side under the umbrella of prayer. The hope is that labor and management can have a framework in which interaction, communication, and reconciliation will occur at places other than a negotiating table.

One of the most exciting developments concerns the work in New York, Boston, Chicago, Denver and Minneapolis. In these cities, men in industry and corporate structures are learning that following the instructions laid down by Christ 2,000 years ago is the only way business in the twentieth century can be conducted for the ultimate benefit of employers, employees, and the community. The implementation of these precepts is never easy because the way of Christ invariably means conflict with human ego on every level, but as those in the corporate structure experience this type of fellowship they are finding that the Lord and each other provide the strength to enable them to continue.

An example of the Spirit of Christ infusing the life of a community came during Denver Leadership Week, September 10-15, 1978, when a team of people from throughout the U.S. and four foreign countries gathered at their own time and expense with over 1,000 Denver citizens. Those from Denver were lay people from all walks of life. Speakers were invited to homes, prisons, courts, churches, civic and service clubs, and college campuses to share what Christ means to them and the impact He has on their lives. The effect of the week continues to be felt as small groups and individuals in the Denver area meet together for prayer and fellowship.

THE WHITE HOUSE
WASHINGTON

1/18/79

Tim Kraft

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

January 16, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*

SUBJECT:

Telephone Calls - Week of January 15, 1979

Governor Fob James

Montgomery, Alabama

(O) 205/832-3511

(h) 205/265-0526 (Governor's Mansion)

1/18/79 TZ

A former Auburn University football player. A businessman and no previous electoral involvement previous to this election. He has been a active Republican and served as campaign manager for several Republicans. He switched Parties and announced for Governor. Ran as an outsider who would put government on a business-like basis. He is likely to be interested in stimulating the economy of Alabama by getting outside businesses to come into the State of Alabama. Jim Free represented you at his Inaugural on January 15, 1979.

NOTES:

Controlling inflation - promoting industry.
Will help anytime called on.

Mayor Dianne Feinstein
 San Francisco, California

(o) 415/558-3456

(h) 415/346-0336

*(U.P. talked with her
 in 1st week of January)*

Former Vice Mayor of San Francisco, Dianne Feinstein became Mayor after the assassination of George Moscone. A moderate, she appears to be grasping issues quickly and working well with federal regional people. Evan Dobelle met with her last month. She will be here January 24-26 for a series of meetings Watson has set up and the U.S. Conference of Mayors meeting. She may announce her candidacy for Mayor next month.

NOTES:

*Make Watson asked Tim Neut
 you not call at this time... they're
 working on something with her.*

Page Two - Week of January 15, 1979

Jim Clark
Clarksville, Maryland
(o) 301/269-3245
(h) 301/730-8973

tc 1/18/79

Jim Clark was your Chairman in the Primary and in the General Election in Maryland. You recently named him as a member of the Prison Reform Commission. Clark was recently elected President of the Senate in Maryland. You should congratulate him on his election. He may ask you about Blair Lee and you can say that we are looking for some meaningful way he can serve the Administration. You might ask Clark about Fred Wineland, the Secretary of State, and John Hanson Briscoe, former Speaker of the House, to see how they are doing.

NOTES:

"Stick with budget restraint"
Wineland will stay on as Sec State

Romeo Dourval
Manchester, New Hampshire
(o) 603/668-5000
(h) 603/623-1360

tc 1/18/79

Dourval, (people call him Romey) was elected State Chair last Sunday and will serve until next April. He is a bank Vice-President (Merchant's National Bank in Manchester) and has long been active in local Democratic politics. Approximately 50 years old. He has been a Gallen supporter for the past six years, and was Gallen's Manchester City Chairman in this first election. His selection was somewhat of a surprise, but he was Gallen's personal choice. Dourval could have trouble getting the Chairmanship again in April when Senator Durkin, worried about his own re-election prospects, will try to replace Dourval with someone who is a Durkin loyalist, like Jean Hennesy.

NOTES:

New at job. Gallen good man =
Will stay on 15 mos. = Good relation with
d'Amours and with Durkin

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Page Three - Week of January 15, 1979

Governor George Nigh
Oklahoma City, Oklahoma
(o) 405/521-2291
(h) 405/521-0011 (Governor's Mansion)

tl 1/18/79

George Nigh was the youngest member of the House of Representatives elected in 1950, and served 8 years. In 1958, he was the youngest Lt. Governor in Oklahoma history, finally serving a total of 16 years. He stated that he favored the passage of the ERA throughout his campaign for Governor against Ron Shotts, winning by a 36,000 vote margin. He stated again in his State of the State Message on this January 9, that he strongly supported equal rights for all, which could best be served by the ratification of the Equal Rights Amendment. A call from you might push him ahead. He is also currently Chairman of the 21 State Draught Action Task Force, and of the Will Rogers Centennial. His wife's name is Donna.

NOTES:

Okla. will comply w/ W & P guidelines.
ERA prospects not good = House poll strong "no"

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THE WHITE HOUSE
WASHINGTON

archives/file

(re state of the union
'79 draft)

January, 1979

Last visit here - goal is peace

Greatest commitment of our nation is to peace

Peace must come from strength

Strength from military, economy, national will/spirit

People need knowledge of national purpose

Foreign & domestic issues are interrelated

There are limitations on govt power

Foreign: Cannot control events within Iran, Nicaragua, etc.

People to people understanding: US good offices

Strengthened alliances

Need to be steady & persistent

Domestic: Cannot cure economic ills or meet all needs

Need broad govt & private involvement

Need to be steady & persistent

To underestimate our strengths does America a disservice

SALT II is necessary, fair and advantageous to U.S.

Great opportunity in opening to China - not a challenge
to SU. Our desire is peace/friendship with both nations.
SALT II \rightarrow III, CTB, trade, MBFR

US - ^{NATO} EC - Japan - ANZUS - ASEAN - SA - Africa - MEast - EMed.
We & allies must maintain political, ideological initiative.
Pursuing peace in ME is difficult - politically (here & overseas)
Broad agenda - non prolif + conventional arms limits + human rights + 3rd world
We do not desire to dominate any other nation
MTN, trade crucial = peaceful influence + econ benefit to us.

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THE WHITE HOUSE
WASHINGTON

pls send Joanne

cc of pp 1 + 10

of HEW's memo

R.L.

THE WHITE HOUSE
WASHINGTON

1/18/79

Alfred Kahn

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

cc: Hamilton Jordan
Bob Lipshutz
Richard Harden
Hugh Carter

FOR ACTION
FYI

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

THE WHITE HOUSE
WASHINGTON

1/18/79

Mr. President:

DPS concurs. No objection
from NSC.

Bernie Aronson has cleared.

Rick

THE WHITE HOUSE
WASHINGTON

January 18, 1979

ok
J

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: THE PERSONNEL COMMITTEE
Hamilton Jordan *HJ*
Bob Lipshutz *BL*
Hugh Carter *HC*
Richard Harden *RH*

SUBJECT: Fred Kahn's Staffing Request

We support Fred's attached request for four Level IV persons. We feel he needs these positions to properly carry out the very difficult management and advisory job that he has accepted.

To implement this, we recommend the second or alternative option he has suggested. The four Level IV's would come from the Presidential Executive Level Pool which consists of a total of 34 Level IV's and V's. One of the slots has already been provided to Fred for Jack Gentry. The other three deputies would be paid from the Unanticipated Needs fund as consultants until the slots could be made available.

We do not recommend that these Level IV's be placed on the White House Staff, because it would require the expansion of the staff above 351 and a supplemental appropriation request to pay for them. Considering your hiring freeze, the anti-inflation program, and the visibility of the White House Staff, we do not feel this is an appropriate time to be asking Congress for more staff and more money.

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THE WHITE HOUSE
WASHINGTON

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM TO THE PRESIDENT

FROM: A.E. Kahn *Fred*
SUBJECT: Staffing My Office

January 16, 1979

I feel I have no choice but to return to you with this request for some Level IV appointees immediately around me. You recall that the last time I asked you for four; and you asked me in turn to try to make do with one or two from the pool, using grades 17 or 18 for the remainder. I have tried my very best to induce what seemed to me the best qualified candidates to accept the deputy position at ranks that you asked me to try to live with; but I have not been successful.

Instead, I have lined up four people whom I can get only at Level IV.

It is even clearer to me now than when I last approached you that my job as your Advisor is, in essence, one of top-level management -- monitoring virtually the entire range of activities of the Executive Branch; selecting particular ones for more intensive scrutiny; negotiating and superintending analysis of the problems and development of solutions by working groups drawn from all the relevant agencies; and negotiating their application with the heads of those agencies.

For this I need the kind of people who can serve as my alter egos; people with independent stature and prestige. Those are the kind of people I have recruited, and they will not come at less than the Level IV.

The first of these is Jack Gentry, who is my deputy for labor-management relations. We were able, with Jim McIntyre's help, to find a vacant Level IV pool position for him in Interior; he is payrolled in the Commerce Department as a Special Counsel for Labor-Management Relations.

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Second, for the position as my Deputy for Legislative and Political Liaison, I have selected Alvin From, who is Staff Director of Senator Muskie's Subcommittee on Intergovernmental Relations, and who has the strong endorsement of members of your immediate staff.

I have offered the position of Deputy of Governmental Operations to Ron Lewis, a senior partner in the Washington law firm of Caplin & Drysdale. He comes glowingly recommended by Mr. (Mortimer) Caplin, who was, you may recall, Commissioner of Internal Revenue under Presidents Kennedy and Johnson. Mr. Lewis is ready to accept an appointment at the Level IV, but not at a lesser rank.

The fourth person whom I would like to appoint at the same rank is Dennis A. Rapp, the present Managing Director of the Civil Aeronautics Board and formerly Director of the Office of Environmental Planning at the New York Public Service Commission. During these first months, Mr. Rapp has been serving both as a kind of Chief of Staff for the entire operation, and, with great effectiveness, as my principal deputy in the regulatory area. My plan is to move him closer to full-time into the latter responsibility when I have the four deputies in place.

So, I need your approval to build a staff of four principal deputies, each at the Level IV rank.

There are two ways this can be done. One would be, as I asked before, to use three of the White House unused authorizations for the Executive Level IV rank for payrolling them. This method would solve the problem at once.

The alternative, which I am willing to try, would be that:

1. You would give me permission to have the four Level IV's,
2. I would bring the deputies on now as consultants, drawing on the unanticipated needs appropriation for their funding, with the understanding and commitment that,
3. Jim McIntyre will continue to try to free up the additional required Level IV slots from the pool and, as the vacancies appear,

ok

4. These deputies will be moved from their status as consultants into those positions.

I have come to the conviction that there is no way in which I can be effective without this kind of help.

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*And you shall love the Lord your God with all your
heart and with all your soul and with all your
might.*

DEUTERONOMY 6:5

*A new commandment I give to you, that you love
one another, even as I have loved you . . . By this
all men will know that you are My disciples,
if you have love for one another.*

JOHN 13:34-35

*57 years the 8th
56-59 died in war
3 captured
12 Home destroyed
17 lost everything
Not one lost honor*

National Prayer Breakfast

JANUARY 18, 1979, 8:00 AM

PROGRAM

OPENING SONG _____ "Father, Lead Me Day by Day"
*Valley Forge Military Academy
and Junior College Glee Club*

STATEMENT OF PURPOSE — The Honorable Lawton Chiles
U.S. Senator—Florida

OPENING PRAYER _____ Dr. Billy Graham

BREAKFAST

HEAD TABLE INTRODUCTION
AND STATEMENT — The Honorable Richard T. Schulze
U.S. Representative—Pennsylvania

OLD TESTAMENT
READING _____ The Honorable Juanita M. Kreps
Secretary of Commerce

NEW TESTAMENT
READING _____ The Honorable Cecil D. Andrus
Secretary of the Interior

PRAYER FOR NATIONAL
LEADERS _____ The Honorable Mark O. Hatfield
U.S. Senator—Oregon

SOLO _____ "I Come to the Garden Alone"
"He'll Understand and Say Well Done"
Dr. Thomas H. Tipton

MESSAGE _____ The Most Reverend Fulton J. Sheen
Archbishop of Newport

THE PRESIDENT OF THE UNITED STATES

CLOSING PRAYER _____ The Honorable Harry A. Blackmun
Associate Justice—U.S. Supreme Court

CLOSING SONG _____ "The Battle Hymn of The Republic"
Glee Club

*Audience please remain in place until
The President and Mrs. Carter have departed.*

Bishop Fulton Sheen - Religion - modern day
Dr. Tipton Thomas Sinners
Billy Graham

THE WHITE HOUSE Shred & Turn
WASHINGTON

Top news - Pope - Jonestown. David
3 - world pray. only agreement - again

Religious fervor - M East

Rejection of materialism -

Africa - S America

Awareness of unmet human needs

Church re social progress

Barriers of segregation

Truth - love - peace

non-violence
MLK

MAY - SOMETHING - SEVERAL

Δ - Crime = Christian → Crime = not Christian

Barbara Tuchman - Crusade, Chivalry

Rights & liberties & duties - ^{Inquisition} Constraints, shackles

Religion - not hurt others "Test of Time"

Leaders Alec McConen - Mark. K James
Confidence? Be bold/gentle

2 Cor 3:12 Since we have hope, we
are very bold

17 "Where the Spirit of the Lord is, there
is freedom"

national prayer breakfast 1/18/79

THE WHITE HOUSE
WASHINGTON

MTG re health

Admin reorg
CHAP & other prevention
 Hosp Cost Cont

Medicaid/Medicare reform
Catastrophic

Disability reform

Outpatient emphasis

Minimum substitution for private
insurance

HMO's

Assess Phase I - discuss additions

Health planning reforms

Manpower reforms

Consult \in Congress, labor + report

PSRO

No road show

Regulations - excessive

THE WHITE HOUSE
WASHINGTON
1/18/79

Stu Eizenstat
Bob Lipshutz

The attached was returned in
the President's outbox today
and is forwarded to you for
your information. The signed
original has been given to
Bob Linder for appropriate
handling.

Rick Hutcheson

cc: Bob Linder

THE WHITE HOUSE

WASHINGTON

January 16, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ *BL*
STU EIZENSTAT *Stu*

RE: CAB Decisions:
Aircair Services Ltd. (Docket 33229)
Air Panama Internacional, S.A. (Docket 33243)
The Fredericton Flying Club, Inc. (Docket 33274)
International Developers, Inc. (Japan) d/b/a Toyo
World Enterprises of California, Inc. (31977)
Quebecair (Docket 31703)
Seagreen Air Transport Ltd. (Dockets 25608 & 31006)
Transavia Holland, B.V. (Docket 24847)
Transportes Aereos Bolivianos (Docket 31989)

All of these orders, with the exception of the Air Panama decision, would permit small foreign carriers to engage in charter operations between the United States and other countries. The Air Panama order permits that carrier to have passenger stopovers in Mexico City on flights between Panama and Los Angeles.

None of the interested agencies object to these orders. We recommend that you approve them by sending the attached letter to the Board.

✓ Approve

 Disapprove

J

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THE WHITE HOUSE

WASHINGTON

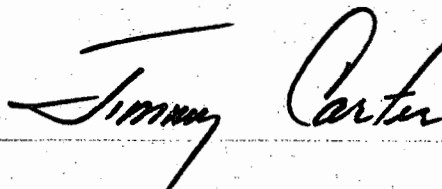
To Chairman Marvin Cohen

I have reviewed the following orders proposed by the Civil Aeronautics Board:

Aircair Services Ltd.	(Docket 33229)
Air Panama Internacional, S.A.	(Docket 33243)
The Fredericton Flying Club, Inc.	(Docket 33274)
International Developers, Inc. (Japan)	
d/b/a Toyo World Enterprises of	
California, Inc.	(Docket 31977)
Quebecair	(Docket 31703)
Seagreen Air Transport Ltd.	(Dockets 25608
	& 31006)
Transavia Holland, B.V.	(Docket 24847)
Transportes Aereos Bolivianos	(Docket 31989)

I do not intend to disapprove the Board's orders within the 60 days allowed by statute.

Sincerely,



Honorable Marvin S. Cohen
Chairman
Civil Aeronautics Board
Washington, D. C. 20428

2-3pm

THE WHITE HOUSE
WASHINGTON

1/18/79

Mr. President:

Jim McIntyre has requested a final meeting on reorganization. I suggest it be scheduled tomorrow afternoon before departure for Camp David. That would put departure time around 3 pm.

- ☒ approve reorg meeting friday afternoon
- ☐ hold meeting till later

 Phil

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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

91

EYES ONLY

January 17, 1979

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze ^{CLS}
Subject: Fourth Quarter GNP

Tomorrow (Thursday, January 18) at 1:00 p.m., the Commerce Department will release its first public estimate of fourth quarter GNP. Real GNP rose at an annual rate of 6.1 percent in the fourth quarter, much faster than anyone had expected a few months ago. The GNP deflator, which measures the average price of all newly produced goods and services, increased at an 8.1 percent annual rate -- about what we had anticipated. Over the four quarters of 1978, real GNP rose 4.3 percent, and the GNP deflator rose 8.3 percent.

The big surprise in the fourth quarter was the strength of consumer spending. Most forecasters (ourselves included) had been expecting a moderate rise in personal consumption and an increase in the personal saving rate. As the numbers on retail sales came in over the course of the quarter, it became evident that our view was too pessimistic. The GNP figures show that consumer outlays for goods and services (adjusted for inflation) rose at a 6.8 percent annual rate during the quarter, and the saving rate fell further, from 5.2 percent in the third quarter to 4.8 percent in the fourth. There was a particularly large increase in consumer purchases of durable goods.

There were no major surprises in other principal categories of GNP. The annual rate of rise in real business fixed investment was a relatively modest 5.2 percent, but that was in line with expectations.

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The jump in total real GNP growth from 2.6 percent (annual rate) in the third quarter to 6.1 percent in the fourth overstates the pickup that occurred in the momentum of expansion. Real final domestic sales (GNP less inventory investment and net exports) is a better measure; it shows an increase from a 4.4 percent annual growth rate in the third quarter to 6.0 percent in the fourth. Nonetheless, even on this basis, a substantial pickup occurred in the momentum of expansion during the fourth quarter. By contrast, at the beginning of the quarter we had been expecting a slowdown to around a 3 percent annual rate.

We have been more optimistic than most forecasters about the prospects for real GNP growth in 1979. The array of statistics becoming available in recent weeks, however, suggests that the momentum of the expansion may be considerably stronger than we had realized. Growth in business fixed investment does seem to be slowing, although as yet we cannot be sure how much. But there is no evidence that high interest rates and inflation have made a dent in consumer spending or in housing activity. And early this year, consumers' take home pay has increased because of the tax cut.

There are two possible reactions to the surprising recent strength of the economy. Does it represent a final and unsustainable splurge by consumers, whose subsequent retrenchment will lead to a sharp economic downturn? Or does it signal that the economy has greater underlying strength than was generally appreciated, leading to an upward revision of business investment plans and a reduction of the likelihood of a recession? We lean to the second evaluation -- although it is too early to be very confident about this.

If consumers continue to spend in early 1979 with as much enthusiasm as they have shown recently, there is some danger that the pace of economic expansion early this year will actually be greater than we want. That could increase upward pressure on prices and possibly have unfortunate consequences for the foreign exchange markets.

In the weeks ahead we will be carefully monitoring developments and considering what a continuation of the recent surprising developments would mean for our anti-inflation policies.

THE WHITE HOUSE
WASHINGTON

1/18/79

Jerry Rafshoon

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

Cambridge Survey Research

Suite 1250 1775 Pennsylvania Avenue, Washington, D.C. 20006 Telephone (202) 223-6345

MEMORANDUM

TO THE PRESIDENT
FROM PATRICK H. CADDELL
RE INFLATION RATING
DATE JANUARY 16, 1979

*Jerry -
Share these
data
J*

We have results from the latest Cambridge Report which was conducted in mid December. The results concerning inflation are quite interesting and I think bear directly on the internal controversy over whether adherence to the guidelines or regulatory reductions are the best public strategy.

1. The General Situation

Concern over this issue has now accelerated to a level beyond that ever registered in the Cambridge Report. Nine out of ten Americans name inflation or the economy as the major issues facing the country. After a slightly abnormal period of perceived price stability in the late summer and early fall which had resulted in consumers being slightly more optimistic than we had recently seen, the late year price increases have returned consumer perceptions and expectations to a situation that is becoming increasingly "normal" -- runaway inflation. Consumers seem fully aware of the bad situation; and they are almost unanimous that more inflation is on the way. Convinced that not only is inflation rising but that the rate itself is increasing dramatically, the consumer public has become bitterly pessimistic with the following results:

(a) After two years of unprecedented relative stability in consumer confidence and buying plans, we can finally report a large very significant swing of mood. Unfortunately that swing of mood is highly negative. Consumer confidence, inflation psychology, the buying power index, and purchase intentions have declined precipitously.

(b) Expectations are that the economy will worsen. In the fall by a 46% to 32% plurality consumers felt we

would not have a recession in 1979; by December those figures had reversed and by a 47% to 29% margin consumers thought we will have a recession in 1979.

(c) The consumers belief that they can personally handle inflation or that they are keeping pace now stands at the lowest level in five years.

(d) Support for extreme policy solutions is increasing. On the question of having complete controls on prices, in one year the results have gone from 38% favor:52% oppose to 59% favor:33% oppose. On the question of complete controls on wage and salary increases, we find for the first time ever a plurality in favor (48% to 41%), a remarkable turn about in the last three months (September 39% favor, 50% oppose) and the last year (January 1978 31% favor, 60% oppose).

2. The Anti Inflation Program

We asked a number of questions about the Anti Inflation question. The results contain both good and bad news as well as several real surprises.

We asked respondents their expectations on the program and as would be expected in these times the results were quite negative.

Recently President Carter announced a new plan to fight inflation which included voluntary wage/price guidelines. Do you think that plan will work or not?

Yes	19%
Not sure	24
No	57

However, looking at the specifics we found a surprising majority of Americans willing to go along with the wage guidelines.

One guideline Carter proposed would limit wage increases next year to 7%. Would you personally be willing to accept no more than a 7% increase for the wage earners in your household or not?

Yes	60%
Not sure	17
No	23

Given inflationary pressures and expectations for more inflation, and suspicion that it can be halted, these results are astonishingly good.

Not surprisingly we found that consumers favored the price guidelines but felt that business would not go along.

Another proposed guideline would place a limit of 5½% on price increases by business. Do you think that would be a good idea or not?

Yes	66%
Not sure	17
No	17

Do you think most businesses would voluntarily follow such a limit or not?

Yes	16%
Not sure	18
No	67

In addition we found that if the public believed that businesses would follow the price guidelines their willingness to go along with wage guidelines intensified.

If most businesses followed such a voluntary guideline, would you be more willing to accept a 7% limit on wage increases or wouldn't it make any difference?

Willing to accept	67%
Don't know	13
Makes no difference	20

It appears to me that these data contain the seeds of a real public acceptance program. Regardless of their expectations of ultimate success, if we can convince the public that most of business is adhering to the guidelines then we can get greater acceptance of wage restraints even from a public that expects double digit inflation this year.

In addition, proving to business that acceptance of price guidelines will help public restraint and improve the image of business in general, could aid in compliance in that sector.

3. Regulations

Frankly, I was stunned by the results to these questions given general public feelings about government regulation, inflation concerns, the publicity surrounding regulatory inflation costs, and the wording of the question.

When the Federal government passes various regulations they may be very beneficial but they may also increase the prices consumers pay for products or services that are regulated. For each regulation I mention, tell me whether it should be eliminated if it increases prices, kept but make less strict to hold down prices, kept just as it is, or made even more strict than it currently is.

SCALE: 1. Eliminated if increases prices
2. Kept but made less strict
3. Kept just as is
4. Made even more strict

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>Eliminate or/ less strict</u>	<u>Kept as is/ more strict</u>
Controls on air and water pollution	12	20	40	23	32	63
Standards for safety in appliances	7	15	56	19	22	75
Food inspection and quality standards	5	11	45	36	16	81
Extensive testing of new drugs and medicines before they can be sold	5	12	37	42	17	79
On-the-job health and safety rules	5	16	47	27	21	74

One can only conclude that while the public is willing to pay some prices to control inflation that gaining public acceptance for eliminating or even reducing regulations is going to be very difficult sledding. In addition, infuriating constituency group after constituency group on an approach the public is opposed to raises real questions. It would seem if we want to move the country that a public guideline strategy makes more sense than a regulatory approach.

4. Unions and the Teamsters

We asked about union acceptance of the wage guidelines and found by a 62% to 25% majority that the public favors unions supporting the wage guideline in their demands.

However, when we asked whether the Teamsters would go along with the guidelines, by a margin of 67% to 13% the public felt they would not.

The Teamster contract seems symbolically important.
When we asked if other unions should go along with the
guideline if the Teamsters did not, support declined; only
50% -- a drop of 12 points -- said unions should then go
along and 34% -- an increase of 9 points -- said they should
not follow the guidelines.

Conclusion

The data seems to speak strongly for a public push on
wage-price guidelines, particularly when juxtapositional
with regulatory efforts. The Teamster contract seems quite
important. You may want to share these results with the
anti inflation people and I would recommend a strategy
meeting of all concerned to rethink our public strategy in
light of these findings.

Cambridge Survey Research

Suite 1250 1775 Pennsylvania Avenue, Washington, D.C. 20006 Telephone (202) 223-6345

MEMORANDUM

TO THE PRESIDENT

FROM PATRICK H. CADDELL

RE REORGANIZATION RATING

DATE JANUARY 16, 1979

We have in the past few days received the data from our latest Cambridge Report conducted in mid December. In that survey we updated a question series where we asked voters to rate your handling of various areas as a "report card" with "A" for Excellent, "B" Good, "C" Fair, "D" Poor but passing, "F" Failing.

The results which are below are quite interesting but it is the reorganization figures that deserve the most comment.

	A	B	C	D	F	:	% A&B	% D&F	Grade	From 1/78 A&B change	From 1/78 D&F change	1/78 Grade
1. Middle East	19	44	26	8	3	:	63	11	B	+20	-10	C+
2. Foreign Affairs	11	38	36	12	4	:	49	16	C+	+6	-6	C+
3. Human Rights	9	36	39	12	4	:	45	16	C+	-9	-3	B-
4. Integrity in Government	10	30	39	16	5	:	40	21	C+	-16	+5	B-
5. Handling Russians	5	28	45	16	6	:	33	22	C	-8	+3	C+
6. Unemployment	2	23	45	21	9	:	25	30	C-	NA	NA	NA
7. Energy	2	20	47	22	9	:	22	31	C-	-16	+7	C
8. Tax Reform	2	16	45	25	11	:	18	36	C-	-11	+8	C
9. Economy	3	14	46	24	12	:	17	36	C-	-20	+15	C+
10. Reorganizing Fed- eral bureaucracy	2	18	40	25	15	:	20	40	C-	NA	NA	NA
11. Inflation	2	14	35	31	19	:	16	50	D+	NA	NA	NA

1. General Observations

Except for handling Foreign Affairs and the Middle East, which have increased, all comparable questions show a decline since January 1978. Even the always positive areas of Human Rights and bringing Integrity to Government show significant decreases in ratings. Further, it is interesting to note that of the top five ratings -- four have to do with

IN CAMBRIDGE
10 Moulton Street
Cambridge, Massachusetts 02138
(617) 661-3212

foreign affairs. The bottom six ratings all relate to domestic affairs. The greatest gain obviously was the Middle East ratings; the greatest losses were in Energy, Integrity in Government, and the Economy ratings.

2. Reorganization

This result absolutely baffled me. Many people have been postulating that Reorganization is an issue that does not interest the public. Yet these results would tend to absolutely contradict that view. If people did not "care" about reorganization, why would they assign strongly negative ratings such that the issue ranks tenth of eleven, only above Inflation? Why would the feelings be so intense such that the "F" score is second only to Inflation? If the issue were unimportant one would assume a middling score without much intense reaction. Yet Reorganization ranks below even general Handling of the Economy! It scores below Tax Reform, Energy, and Unemployment, all fairly controversial issues.

The reorganization grade was particularly low in all groups but particularly with middle and upper income voters, older voters, moderates, conservatives and Southerners. The grade scores by party were Democrats C-, Independents D+, and Republicans D+.

3. A Hypothesis

We will know much more about reorganization when the full field DNC survey is back. These Cambridge Report results, though, tend to confirm impressions picked up in the open end surveys of last Spring when we noted intense negative reaction to your handling of this issue by many voters.

It strikes me that the cause may be one of personal identification. Reorganization is an issue uniquely yours. In 1976 you identified it, developed it, and made strong commitments on it. I suspect for those reasons the issue has greater importance to judgments about you than do other more general issues and that reorganization affects you more than it would any other office holder. It seems to be symbolically tied up in both public feeling about government and about your general governmental performance. Thus it may carry greater political weight in the formation of attitudes toward you than would be suspected normally.

4. Conclusion

I am concerned by these results. I think any effort to downgrade the importance of Reorganization or to make cosmetic efforts on the issue could be unconvincing and fundamentally damaging. I would recommend that Reorganization in the overall issue scheme be reevaluated and that we look to the full field data for more illuminating clues both to the nature of the issue and guidance for dealing with it. This is an instance where a delay of several weeks might be fortuitous as opposed to a major decision arrived at in a vacuum which may prove to be founded on faulty assumptions about the public.

THE WHITE HOUSE
WASHINGTON

1/18/79

Tim Kraft

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

FOR ACTION
FYI

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

KAHN

LINDER

MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY

THE WHITE HOUSE

WASHINGTON

January 17, 1979

Tim
Let Cabranes
Come to see me
J

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT *TK*

SUBJECT:

Appointment of Special Assistant

Hamilton asked me to append my own thoughts to Joe's memo with regard to the selection of Joe's replacement.

I concur with Joe's top two choices and, frankly, think that they stand head and shoulders above the remaining three. Of the two that head Joe's list, I would recommend without reservation Jose Cabranes.

You might recall my earlier advocacy of Jose to be Califano's Undersecretary at HEW at which time I emphasized his intellectual and constituency/appeal qualities.

In addition to those factors, the politics of a top-level Puerto Rican appointment are much needed and desirable. At this time there is only one Puerto Rican at the assistant secretarial level and he was a career officer promotion. At even lower levels you have to go a long way to find another Puerto Rican.

Rick Hernandez, my deputy, is a Chicano politician from Houston, Texas. That, in effect, would be the duplicatory nature of appointing Leonel Castillo, a Chicano politician from Houston.

Rick also feels that Jose would bring stature and breadth to the job and is someone with whom he could work most easily.

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for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

January 9, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: JOSEPH ARAGON JA

SUBJECT: APPOINTMENT OF SPECIAL ASSISTANT

Hamilton asked that I prepare a brief "job description" and that I also discuss several possible candidates for the position of Special Assistant.

BACKGROUND

Both President Nixon and President Ford had Hispanics who were Special Assistants. Neither one had influence in the White House. They had no staff whatsoever. They had obscure offices in the New Executive or the Old Executive Office Buildings. They rarely visited the West Wing and rarely participated in White House meetings. They were token appointees whose advice was seldom sought and almost never taken. It was a constant source of chagrin and irritation to Hispanics throughout the country.

When you first announced my appointment, the Hispanic community waited to see what would become of the position. Largely because of your consistent support and Hamilton's great help many of those early fears have been put to rest and the job has evolved into a substantive, meaningful one. In fact, the role has been significantly redefined and is now generally viewed by Hispanics as a position of considerable value to the community. It has not become a superstar position but it has, nevertheless, become a serious, substantive one.

Since I announced my departure many Hispanic political and organizational leaders have expressed the strong hope that my successor will play a similar role. I believe the continuation of this or some similar role will be very important to them.

What's different about the way I have functioned in the White House as opposed to my predecessors, is that I have been given an opportunity to participate in key Presidential initiatives at a significant staff level. By serving as part of the White House task forces working on the Panama Canal Treaties, Civil Service Reform, Anti-inflation, Tax Reform and other key initiatives, for example, I have been able to provide useful input and assistance at the staff level. At the same time this involvement has given me a mechanism for involving the Hispanic community in those key issues.

In short, this dual role has permitted me to involve Hispanic groups in major White House issues in a way that had never before been possible.

National Hispanic political and organizational leaders, for example, have become regular invitees to briefings on key issues, such as the Treaties, civil service reform, the budget, Humphrey-Hawkins, inflation, tax reform, the '79 priorities and others. Equally important, their inclusion also means that they have become a part of the White House's political coalition on those issues. You may recall that the morning following your phase two anti-inflation television address, virtually every national Hispanic organization issued a public statement in support of your speech. The American GI Forum was the largest and one of the only national veterans groups to support the veterans preference provisions of the Administration's civil service reform bill. And in the final days of the Panama debate, Hispanics in key states lobbied heavily for Senate approval.

This substantive involvement by Hispanics in key Presidential initiatives has had a very salutary effect on the community. It has also had a positive political effect. This is so because the substantive issues of jobs, inflation, etc. have a direct impact on the political temperament of this constituency. This is not to say that Hispanics are perfectly content. They are not. Police abuse, equal opportunity, etc. still are burning issues. But much has been done to give the Hispanic leadership a sense of participation in their government that they have not had before. And this will certainly affect the political attitude of Hispanics toward this Administration.

I think that your next Special Assistant should try to preserve this dual relationship. If he fails to, then there is a real danger that his role will become a much narrower one restricted exclusively to "Hispanic" issues. If this happens the position will become a special interest lobby within the White House whose relationship with the Oval Office will almost necessarily be adversarial. I believe this would represent a setback for Hispanics as well as the White House.

With this background in mind, I would suggest the following set of duties for the next appointee.

Duties of the Special Assistant

1. The position should be identified as a senior staff position. The individual should be included in staff meetings such as the Monday morning staff meeting chaired by Hamilton.
2. The position should provide for direct access to you.

3. The position should allow the individual to serve as a continuing staff resource to Hamilton, available to him for special assignments which you or he may designate.
4. The position should provide opportunities for participation in key Presidential initiatives at a significant staff level. This should include chairing working groups or sub-groups assembled to build public/political support for those initiatives, as well as the preparation of written memoranda or plans outlining how that support can be secured.
5. The position should include continuous, significant (but not exclusive) contact with the Hispanic community. I also recommend that the individual undertake an active schedule of travel. Too much time out of Washington could, however, be very counter-productive.
6. Finally, the position should be flexible enough to allow for self-initiated activities or ideas relating not only to Hispanic concerns but others as well.

CANDIDATES

The five individuals below all have the following qualities in common:

1. They are all persons of great personal integrity.
2. They are all persons of exceptional ability.
3. They are all persons who would serve you with great dedication and loyalty.
4. They are all persons who are committed to helping the Hispanic community.
5. They are all persons I admire and respect.

My only purpose in this evaluation is to assess the possible impact of their appointment should it come about.

LEONEL CASTILLO - Leonel is 40, married, the former Controller of the city of Houston. He is currently director of the Immigration and Naturalization Service.

Should you appoint him to the White House I would anticipate the following possible reactions:

1. Leonel is regarded by Hispanics as a political operative rather than a policy or issues man. His appointment would be viewed as a tactical move designed to bolster the White House Hispanic political operation in anticipation of the '80 campaign.
2. His appointment would immediately raise the issue of his successor at the INS. It would also trigger a more general form of speculation as to the significance of the move vis a vis Administration immigration policy. Confirmation hearings for his successor could produce a bitter public debate on Administration immigration policy, or more broadly, U.S.-Mexico policy.
3. Hispanics would almost universally become concerned over who would succeed him. Although he has been under fire by critics of the INS, Leonel is still regarded by Hispanics as one of the best appointments you made. And he is also regarded as someone who has tried hard to protect Hispanic interests within the INS. His departure would stir up old fears. Should his successor be viewed as insufficiently sensitive to those interests then concern would quickly turn to alarm with highly negative results.
4. Leonel has inevitably become closely identified with the single and highly controversial issue of illegal immigration. It is not clear to me how much of the stigma of this issue would follow him right into the White House, though he would certainly be expected to address it regularly.

RALPH OCHOA - Ralph is 37, married with two children, a lawyer from California. He is one of the most successful and respected Mexican-Americans in California. He has recently returned to private practice. From 1974 to November of 1978 he served as assistant, then chief assistant to the Speaker of the California State Assembly, Leo McCarthy. He ran unsuccessfully for the state legislature several years ago.

Should you appoint him to the White House I would anticipate the following possible reactions:

1. It would be received very favorably by the Mexican-American community of California.
2. Since Ralph is not well known outside of California, there would be great interest in him among Hispanics, although there would be few predetermined opinions about him.
3. Ralph would create a favorable impression. He is professional, thorough, easily likeable, and would interact well with the White House staff.
4. His greatest drawbacks are that he is not well known outside of California, that he would have to be brought up to speed on Administration policies and would have to work diligently to establish good relations with Puerto Ricans and Cuban-Americans.

ABELARDO VALDEZ - Lalo Valdez is 37, married, Harvard trained lawyer with an engineering background. He is one of your most promising appointees and is currently serving as Assistant Administrator of the Bureau of Latin American Affairs at AID.

Although much of his professional experience is in the area of Latin American relations, Lalo has traveled extensively throughout the country over the last two years and understands the Hispanic community well. He was one of the most active speakers on behalf of the Panama Treaties delivering a total of 62 speeches and appearing throughout the Hispanic community. Lalo is widely known and very well liked by the leadership of the community. He has a reputation for being a thoughtful and receptive representative of the President. He is originally from Texas and campaigned extensively for Bob Krueger last year.

Should you appoint him to the White House I would anticipate the following possible reactions:

1. It would be viewed by Hispanics as a well balanced choice. Lalo is substantively oriented, a professional who has also demonstrated excellent political judgement.

2. Some Hispanics might view him as not being politically experienced enough. Others might question the monopoly by Texans, i.e., Rick Hernandez and Lalo, of the two key White House posts. Still others might question his foreign policy background as being too far removed from domestic Hispanic politics.
3. On the other hand, Lalo is a quick study who would adapt fast. Moreover, the vacancy his departure would create at AID would not generate the general concern that Leonel's departure from INS would produce.

ALEX MERCURE - Alex is 47, married, a Mexican-American from New Mexico. His professional background is broad and relates mostly to the area of human needs. He is currently serving as Assistant Secretary of Agriculture.

Alex has traveled throughout the nation and has a first rate understanding of the Hispanic community. He has consistently demonstrated excellent political instincts and is highly regarded by Hispanics.

Should you appoint him to the White House I would anticipate the following possible reactions:

1. The appointment would be received well by Hispanics. It would be regarded by them as a "smart" move on the part of the White House. His good work caught your eye and you wanted to bring him in closer.
2. It would be viewed as a good political move.
3. There might be some grumbling that his orientation is too rural, or that New Mexico already has too many high level appointees, or that the appointee should come from a more populous state with more Hispanics. I do not think any of these complaints would be consequential however.
4. Alex is already one of your senior Hispanic appointees and there would be some pressure to fill his vacancy with another Hispanic but I don't think this pressure would be too great.

JOSE CABRANES - Jose is 38, married with two children, a Puerto Rican. A graduate of Columbia University and Yale Law School, Jose is currently the Legal Adviser and Director of Government Relations for Yale University.

By any standard, Jose is an exceptional individual. He has consistently demonstrated himself to be a person of outstanding ability and is probably among the two or three most admired and most influential leaders in the Puerto Rican community.

He is Chairman of the Board of the Puerto Rican Legal Defense and Education Fund and a member of the National Commission on Mental Health which Mrs. Carter headed. He is well thought of by Secretary Vance and others at the State Department. He has been seriously

considered for a number of high level diplomatic appointments.

Much of his professional experience is geared to international affairs but there is little doubt that he is well informed and actively interested in domestic issues. He is also a very keen and perceptive observer of the U.S. Hispanic community.

Jose has great sensitivity to the Hispanic community but he would quickly reject any narrow or exclusive Hispanic role at the White House.

Should you appoint him to the White House I would anticipate the following possible reactions:

1. Most Puerto Ricans would be elated. It would probably be the highest domestic appointment of a Puerto Rican that any American President has ever made.
2. A fair number of Mexican-Americans would express concern over their perceived loss of this key position.
3. Jose would be challenged as inadequately tied into or versed on the politics, personalities and issues of grass roots Hispanics. This would come, for the most part from Mexican-American activists.
4. Since Jose is perceived as more intellectual than political in his manner, the appointment would be regarded as issue or policy motivated rather than politically or campaign motivated. This, notwithstanding the fact that Jose has a very sophisticated understanding of national as well as Hispanic politics.
5. Some Puerto Ricans would express concern that he is not a native U.S. Puerto Rican and is too island oriented.

Summary - Although it's probably apparent that I think the appointment of Leonel Castillo would be the most difficult one of all, I included him because he naturally comes to mind. He is very popular and to many (myself included) a very logical candidate. Unfortunately, circumstances militate heavily against this choice.

Jose Cabranes is the only Puerto Rican in this group. Several potential difficulties face his candidacy. Not the least of them is that he might not want to leave his position at Yale. Nevertheless, I think it is very important that an outstanding Puerto Rican be seriously considered for this position.

As for the other candidates, I would recommend them in the following order:

1. Ralph Ochoa
2. Abelardo Valdez
3. Alex Mercure

THE WHITE HOUSE
WASHINGTON

1/18/79

Jody Powell

The attached was returned
in the President's outbox today
and is forwarded to you for
action.

Bob Linder has been given the
original nomination for appropriate
handling.

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON


*Tody.
National PR
J*

January 17, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

ARNIE J. MILLER 

SUBJECT:

Presidential Appointment

Attached for your signature is the nomination document for Phyllis A. Kravitch, of Georgia, to be United States Circuit Judge for the Fifth Circuit vice Lewis R. Morgan, retired.

Since January 1977, Judge Kravitch has served as a Superior Court Judge for the Eastern Judicial Circuit in Savannah, Georgia.

All necessary checks have been completed.

Attorney General Bell recommends this appointment.

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

1/18/79

Secretary Califano

The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

cc: Stu Eizenstat

2:00 PM

THE WHITE HOUSE
WASHINGTON

January 17, 1979

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/

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
JIM MCINTYRE *Jim*
CHARLIE SCHULTZE *CLS*

SUBJECT: National Health Plan Meeting -- January 18

INTRODUCTION

Your national health principles expressly did not decide whether the legislation submitted by the Administration should be a complete comprehensive national health plan (NHP) or only a first phase designed to address the most urgent health care financing problems. Your directive to Secretary Califano requested preparation of a tentative plan which would precede submission of legislation. In a subsequent note, you asked the Secretary to provide you with a range of options on the scope of the Plan.

Secretary Califano has now submitted a National Health Plan Strategy Memorandum and an accompanying Staff Draft of a tentative, comprehensive National Health Plan. The comprehensive plan is phased in gradually, but it does not contain any options for submitting less than comprehensive legislation. The Secretary's Memo (Attached) forcefully recommends that he release the tentative plan and then consult with interested parties for 2-3 months. At that point he would make his recommendation as to whether the Administration should legislatively propose the complete comprehensive package or a more modest first phase.

The Secretary correctly points out that the procedure he recommends -- extensive consultation on the tentative comprehensive plan -- is the one you directed him to pursue in the July 29 statement of principles. At that time, however, there was still a possibility that you would choose to submit a comprehensive plan to the Congress. We believe, as discussed below, that a comprehensive plan should not now be proposed. We believe, therefore, that a different procedure should now be followed.

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We recommend that the tentative comprehensive plan not be released by HEW as a basis for public consultations. Instead, Secretary Califano, the Vice President and White House staff should consult with a broad range of Senate and House leaders on whether they favor comprehensive legislation or Phase I legislation which focuses primarily on improved Medicaid/Medicare benefits and catastrophic protection and should report back to you by February 1. While these consultations are taking place, Secretary Califano, the Vice President and White House staff should develop several Phase I plans with a variety of Medicaid/Medicare and catastrophic options. In support of this recommendation, this memorandum focuses on two issues: the merits of publicly announcing and refining a comprehensive legislative package versus a smaller proposal addressing immediate needs, and the timing of your decision.

I. SHOULD THE ADMINISTRATION SUBMIT COMPREHENSIVE LEGISLATION OR PHASE I LEGISLATION?

HEW's tentative comprehensive national health plan would provide basic (first dollar) and catastrophic coverage to all Americans. Although the plan relies partly on private insurance, it would increase Federal expenditures substantially. HEW's cost model estimates that if health care were fully implemented in 1980, Federal spending for health benefits would increase by \$62.2 billion. Premiums from corporations and individuals for the Federal health care plan would provide \$28 billion, while \$34.2 billion would be financed through general revenues. The Federally-run health care program would insure 116 million persons, 51% of the population.

HEW proposes phasing their plan in gradually over five years. However, triggers could be used to control (and delay) the timing of the phase-ins. The first phase would not be implemented until 1983. Because of inflation, even if we assume currently proposed hospital cost guidelines are effective until 1983 and additional NHP cost controls are moderately effective, the full implementation costs in 1987 would be a net increase in the Federal budget of about \$115 billion --\$58.1 billion in new Federal expenditures; \$56.9 billion in premiums to the Federal health care plan. (See Attachment A.)

The first phase of HEW's plan consists of catastrophic coverage for about half of those without such protection, Medicaid/Medicare reforms and services for children, with an increase in Federal outlays of \$9.4 billion (again estimated for 1980 full implementation). We agree that catastrophic protection and improvements in Medicaid/Medicare are among the highest priorities for the initial phase of a proposal. We also would like to explore a small prevention feature to add to such an initial phase -- given your emphasis on prevention. We believe that meaningful reforms in a first phase can be fully implemented for less than \$10 billion in total health system costs.

In our view, there are several political and programmatic reasons for developing a legislative proposal built around the first phase of the HEW plan.

A. Political

Everyone, including Senator Kennedy, concedes that comprehensive legislation cannot pass. Furthermore, public discussion of HEW's \$115 billion comprehensive proposal, even though it entails no new spending until FY 1983, undermines your current drive against inflation and for budget restraint. Moreover, introduction of comprehensive legislation would certainly delay consideration, and might prevent passage, of any meaningful first phase legislation. Finally, introduction of a comprehensive plan that does not pass would be viewed as an Administration failure on one of its most important domestic proposals.

By contrast, a package combining catastrophic coverage with Medicaid/Medicare reform and perhaps a small prevention feature probably could pass. Moreover, the added spending by 1983 could be financed without new taxes if Congress approves your hospital cost containment legislation and budget recommendations.

B. Programmatic

HEW recommends some catastrophic protection in its first phase and recognizes that catastrophic coverage is likely to be included in any first phase. The Department states, however, that a catastrophic component must be designed with care so as not to induce unnecessary high technology, high cost procedures. We agree. We also point out that the dangers of increased costs as a result of catastrophic coverage are probably overstated.

According to CBO some 150 million Americans already have complete or nearly complete protection against medical expenses. Persons with nearly complete protection include the aged and the disabled -- i.e., those most likely to have catastrophic expenses. The number of Americans with adequate protection will continue to increase in the next few years as private insurance companies expand their sales of catastrophic insurance. Furthermore, many hospitals, especially public hospitals and teaching hospitals, provide catastrophic-type services even to persons who lack adequate coverage. The costs are recouped from local governmental funds or from private payers. In short, high technology, high cost medicine already has become the general standard of care in most communities.

Current hospital practices are, of course, highly inflationary. But the solution is not to deny financial security for the remaining segment of the population which lacks coverage. Rather, we must enact meaningful cost containment measures, such as our hospital bill, that would apply to the entire population, a majority of whom carry private catastrophic coverage.

If, as some believe, a catastrophic program could help secure passage of effective hospital cost containment legislation, the program will contribute to the fight against rising health care costs. In addition, a catastrophic insurance program could be linked with other cost containment and quality assurance activities designed to deal with the relatively small number of high cost episodes. Some of these measures, such as pre-authorization requirements for certain treatments, designation of institutions where specific types of high cost medical episodes can be treated, and cost caps on major capital expenditures would have a better chance of enactment as part of a Federally-guaranteed catastrophic program.

HEW argues that a proposal that only addresses the most urgent reforms will satisfy the major demand of the middle class and will thus indefinitely postpone enactment of later phases of a comprehensive health insurance plan. This reasoning has prevented passage of any significant health insurance reforms since 1966, particularly for those who fall between the gaps in Medicaid and Medicare coverage. We should not refuse to pass good reforms now on the speculation that they

might prevent other reforms in the distant future. Furthermore, current trends indicate that within a few years most middle class persons will have private catastrophic insurance. Thus, there is only a short time left in which to use middle class desires for catastrophic coverage as leverage for obtaining cost containment, Medicaid/ Medicare improvements and other reforms. We should not squander that time advocating a comprehensive proposal which cannot possibly pass.

HEW also argues that legislation targeted at only the most urgent reform needs cannot contain significant system reforms. We believe that, in fact, most system reforms being advocated do not depend upon the existence of a large national health plan -- they could be implemented in the current health system. Our approach could include a number of system reforms that are more attractive if linked to increased catastrophic benefits.

In short, we believe there is a strong case for proposing a program to Congress which, in concert with substantial reductions in the growth of hospital expenditures, improves the health protection for those most in need.

II. SHOULD HEW CONSULT ON A TENTATIVE COMPREHENSIVE PLAN?

Significantly, Secretary Califano himself suggests that he may ultimately recommend submitting only a first phase proposal, the components of which are not radically different from the program components we would recommend. But he wants any decision delayed until after the comprehensive plan has been released and there have been several months of consultation.

We recommend that any lengthy and widespread public consultation on a comprehensive plan be set aside. Our reasons for this recommendation are

-- Congress will expect some signal on this issue fairly early in the Session. Lengthy delays will be hard to explain.

-- The HEW comprehensive plan, even if tentative, will be widely criticized as inconsistent with your budget restraint and anti-inflation policies. At the same time, the plan will raise the expectations of those who support comprehensive legislation and make it more difficult to submit Phase I legislation several months later.

-- You will achieve no long-term gains with organized labor and its supporters if you permit consultation on a tentative comprehensive plan, but then introduce only Phase I legislation. HEW appears to argue that organized labor may be less hostile to Phase I legislation after it sees that a comprehensive plan is widely criticized. But organized labor already knows that a comprehensive plan is going to be widely criticized. And you would bear the brunt of the criticism, even if the comprehensive plan is technically an HEW tentative draft.

-- In addition, during the several months of public scrutiny of the HEW tentative plan, there would be a replay of last year's internal Administration battling over the nature of a health plan. You could appear ineffective in imposing realistic fiscal discipline even within the Executive Branch. An announcement that you favor a limited but enactable approach would be a clear Presidential decision to provide a desired public program in a prudent and economically sound manner.

-- Reaching consensus on the details of first phase legislation will be quite difficult. The two or three months HEW intends to consult on a comprehensive plan would be better spent consulting on important immediate reform questions and developing the data to support a realistic proposal. Discussions of the comprehensive plan will inevitably focus on issues which have no relevance to eventual legislation. The total cost of the proposal will be one focal point, triggering devices another, etc. Discussions on issues such as these will not help us develop a better proposal; they will only detract from building a consensus on a health proposal consistent with the budget restraint.

-- HEW argues that we cannot intelligently decide the contents of the first phase legislation without knowing in great detail what the comprehensive plan will look like. We believe, on the other hand, that the first steps will be consistent with any of the several politically viable comprehensive plans. We want to be able to gain the support of legislators who have differing visions of the future. To the extent that the first phase is tied to a particular comprehensive plan, it loses much of its existing political appeal.

-- HEW argues that health insurance legislation should not be introduced until later in the Spring in order to give hospital cost containment and CHAP a chance to clear. It may be good strategy to delay introduction of first phase legislation. But this does not mean we should spend three months debating a controversial plan which cannot pass.

Although we have attempted to present HEW's position, we urge you to review the Secretary's Memorandum. We note that HEW has not had an opportunity to respond point by point to our memorandum and would probably disagree with many of the arguments listed above.

CONCLUSION

We conclude that you should make the following points at Thursday's meeting with Secretary Califano.

1. You do not want the comprehensive plan released by HEW as a basis for public consultation.
2. Instead, Secretary Califano, the Vice President and White House staff should consult with a broad range of Senate and House leaders on whether they favor comprehensive legislation or Phase I legislation which focuses primarily on improved Medicaid/Medicare benefits and catastrophic protection and should report back to you by February 1. You will then make your decision on the shape of the Administration's national health legislation.
3. While these consultations are taking place, Secretary Califano, the Vice President and White House staff should be developing several Phase I plans with a variety of Medicaid/Medicare and catastrophic options.
4. Implementation of any national health plan, particularly one which includes catastrophic coverage, must be contingent on passage of effective hospital cost containment legislation.

5. The State of the Union message should reaffirm your general commitment to a national health plan and should state that this is the Congress which must begin to implement that commitment.

EFFECT OF HEW'S NHP ON FEDERAL BUDGET
(\$ billion)

All figures assume currently-proposed anti-inflation guidelines are in effect and are successful in 1980 to 1983. All assume NHP implementation in five phases, beginning in 1983 and reaching completion in 1987.

	Assuming No NHP Cost Controls in 1983 and After			Assuming Moderate Success of NHP Cost Controls in 1983 and After			Assuming Complete Success of Tight NHP Cost Controls in 1983 and After		
	Increase in Outlays	Receipts from Premiums	Increase in Deficit or Taxes Needed	Increase in Outlays	Receipts from Premiums	Increase in Deficit or Taxes Needed	Increase in Outlays	Receipts from Premiums	Increase in Deficit or Taxes Needed
1983	\$ 9	\$ 0	\$ 9	\$ 4	\$ 0	\$ 4	\$-1	\$ 0	\$-1
1984	78	36	42	77	34	33	57	32	25
1985	102	48	54	85	45	40	69	43	26
1986	127	55	72	103	52	51	78	48	30
1987	149	62	87	115	57	58	82	53	29
1988	169	70	99	125	64	61	81	58	23
1989	191	78	113	136	71	65	79	63	16
1990	216	87	129	146	78	68	76	69	7

All figures are based on HEW estimates of total and Federal health spending under three sets of cost control assumptions, as follows.

^aWith no NHP controls, it is assumed that health expenditures grow as rapidly as they would have in the absence of any controls after 1983. Underlying total health spending increases at 12% annually. For 1983 to 1987, growth is more rapid due to increases caused by the phase-in of NHP.

^bWith moderate NHP cost controls, it is assumed that results are halfway between those of no controls and tight controls.

^cWith tight NHP controls, expenditures on services covered by NHP are assumed to grow only as fast as the GNP, except for the additional expenditures induced by the phase-in of NHP. Except for this induction, total health spending grows at about 9.5% a year.

SECRETARY CALIFANO'S
ATTACHMENT



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D.C. 20201

January 8, 1979

MEMORANDUM FOR THE PRESIDENT

FROM JOE CALIFANO *JC*

SUBJECT: NATIONAL HEALTH PLAN STRATEGY

I. INTRODUCTION AND SUMMARY

The purpose of this memorandum is to transmit to you a draft, tentative National Health Plan (NHP) (attached at TAB A) and to outline -- and to seek your approval of -- a suggested strategy for dealing with this complex problem in the coming months.

The essential issue which you face at this time is:

- whether I should follow the process you directed me to pursue in your July 29th statement of principles (copy attached at TAB B)
 - by putting out in the near future a comprehensive, universal, though tentative, HEW plan with flexible phasing options, and then *no*
 - by consulting widely for two to three months before presenting you with final, substantive options on either a comprehensive or a Phase I proposal; or
- whether we should accelerate substantive Presidential involvement, as some of your aides urge, and seek decisions in the next month on the shape of a Phase I NHP proposal without unveiling the tentative comprehensive, universal plan for discussion and consultation. *yes*

I strongly recommend that you stay on the course that you charted in the July 29th directive. This memorandum is divided into three basic parts.

First, the memorandum describes the plan's substance briefly and underscores the importance of wide and detailed consultation on the broad plan before Presidential decision-making.

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Effecting basic reform in our health care system is the most complex problem I have addressed as Secretary of HEW. Our tentative plan does include important innovations and is more sophisticated than any plan yet produced. But we still need to seek further in-depth criticism and comment outside the Department before making recommendations to you -- on either Phase I alternatives or a comprehensive proposal. Any innovative proposal will have fundamental implications for health policy, federal budget costs, national economic effects and administrative feasibility.

Even if we decide ultimately that we should propose only a Phase I bill, to ensure that such a proposal is structurally sound and will be a firm base for building towards necessary reforms in the future we must consult on and then evaluate Phase I options in the context of a broad plan that sets out future directions for the nation's health care system.

Second, the memorandum suggests a strategy that allows you to keep your July commitment and to maintain your flexibility on (and distance from) the issue in order subsequently to make a more informed determination about whether acceptable legislation can be enacted in the next two years.

Both the Ways and Means and Finance Committees will be deeply preoccupied in coming months with other Administration priorities -- real wage insurance, hospital cost containment, disability reform, entitlement program reductions and welfare reform. And both the House health subcommittees will not even have new chairmen until mid-February. Thus, key Congressional actors will not be able to focus for several months on a major health financing proposal.

Most importantly, if we push any NHP proposal formally in the near future, we run a substantial risk of having hospital cost containment caught up in -- and slowed down by -- the inevitable controversy that will swirl around a major health financing bill.

Finally, this memorandum further urges you, on both substantive and strategic grounds, not to adopt a Phase I proposal, as some of your advisors apparently are suggesting, that would spend virtually all initial Federal NHP dollars on catastrophic insurance.

- Substantively, we should not totally embrace the most expensive care in Phase I both because we will fail to serve the poor effectively and because we will induce unnecessary high technology, high cost procedures for those in hospitals. (We should not repeat the mistake of the Canadian health care system which has become the most over-bedded in the world because it started with an almost exclusive emphasis on in-patient care and did not advance a balanced program that included prevention and outpatient services.)
- Strategically, we make a tragic mistake by totally giving away the major issue of concern to the middle class. We should instead closely tie increasing catastrophic coverage for middle income citizens to more sophisticated and permanent cost control measures (beyond hospital cost containment), to more basic reforms (like increased prevention) and to increasing coverage for the poor, the working poor and the aged.

Although some catastrophic protection is likely to be included in any Phase I proposal, we must proceed with extreme caution in designing a catastrophic component to ensure that it is not inconsistent with other fundamental health care objectives.

II. THE JULY DIRECTIVE AND THE TENTATIVE PLAN

Background. On July 29th, you announced 10 principles for a fully implemented National Health Plan and directed me to "develop a tentative plan which embodies these principles and which will serve as the basis for in-depth consultation with the Congress, State and local officials, interest groups and consumer representatives."

At the Memphis mid-term convention, the Administration again committed itself to a universal, comprehensive national health plan and indicated that we would begin our legislative quest of that goal in the 96th Congress (although we did not commit to introduction of a single bill seeking universal and comprehensive reform).

Discussions within the Administration at the time of the July directive clearly contemplated that HEW would not put out a tentative plan until after the elections and the December mid-term convention, that we would consult for several months and that you would not make substantive decisions on the shape of the NHP until the Spring of 1979. The extraordinarily heavy volume of business surrounding the budget has set us back slightly, but we can still meet the Spring deadline.

The Tentative Plan. As noted, I am today attaching a draft, tentative plan with phasing options. It is universal and comprehensive, mandating basic health services for all Americans. It embodies the 10 Presidential principles. And when refined and released publicly, it will fulfill my obligation under the July directive.

I am only sending copies of the tentative plan to you, Stu Eizenstat, Ham Jordan, Jim McIntyre, and Charlie Schultze at this time. The copies are clearly marked "Staff Draft" on each page, and, although the basic architecture of the tentative plan is established, we would refine the draft I am transmitting substantially before we release it publicly (that process could take another 10 days to two weeks). None of the copies of the tentative plan include our preliminary, detailed cost estimates. I will take up costs, as well as other considerations, when I meet with you personally.

Major Features. To solve fundamental problems in the nation's health care system the plan tentatively outlines fundamental changes. As you stated in July, a "comprehensive health plan will provide a critical opportunity to bring the /health care/ system under control." The flaws in our nation's health care system are so deep-seated -- so rooted in a pervasive lack of competition and financial discipline -- that structural reform is required if we are to achieve the twin goals of holding down costs and providing needed health coverage to millions of Americans.

At this point, let me briefly describe the plan's tentative solutions to the health system's most basic problems. This discussion assumes a fully implemented NHP.

● Coverage. To increase access to basic health services and to protect all Americans against catastrophic medical expenses, the tentative plan would ensure universal, comprehensive coverage for all Americans, including millions currently with little or no health insurance -- either through Healthcare, a public insurance program that would supercede Medicare and Medicaid, or through private insurance plans, which meet Federal standards.

- Employers would be required to purchase uniform coverage for employees, either from the public plan, Healthcare, or from private insurers.
- The poor and the aged and disabled would be covered primarily through the public plan.

This coverage would provide millions of Americans with vital health services. For example, it would totally remedy the following deplorable lack of access to services (based on 1976 figures). Out of a total United States population of 220 million:

- 22 million do not have basic health coverage -- which is defined as at least 30-60 days of hospitalization, X-rays, laboratory tests and physician services (6.0 million below the poverty line and 16 million above the poverty line);
- 17 million have inadequate basic health coverage (2.2 million below the poverty line, 15.1 million above the poverty line); and
- Roughly 83 million do not have catastrophic health coverage (costs beyond the basic benefit package).

-- When the NHP is fully implemented, we roughly estimate that approximately 50 percent of the population will be enrolled in Healthcare, including 34 percent of the non-poor, non-aged, non-disabled employed whose employers choose Healthcare over private insurance plans. The other 50 percent will be covered by qualified private plans.

- Benefits. The tentative plan would establish a core package of benefits for all Americans, including hospitalization, laboratory tests, X-rays and physicians services. However, because the plan also insures ordinary health expenses such as physician office visits, outpatient visits and preventive services on the same basis as inpatient hospital care, it would constitute a powerful incentive for doctors and patients to rely less on costly hospital care and more on ambulatory care.
- Mixed Public and Private System. To ensure a significant role for the private insurance industry, the tentative plan would be financed primarily through conventional insurance premiums. This is a critical design decision that stems from your desire to have a mixed, public/private plan and from my conviction that the plan cannot be financed primarily with increased payroll taxes (the only serious alternative to general premium financing). Federal general revenues would be used to deal with the special problems of the aged, the poor and the low-wage employer.
- To avoid the problems created by additional payroll taxes, most employers would pay 75 percent of a standard premium based not on the income of the worker but rather on the value of the health services purchased. Employees could pay 25 percent, and would be able to negotiate for their employers to pay up to 100 percent of the premium cost.

-- The aged and disabled would pay a premium equal to 25 percent of the single adult premium (an amount roughly equal to the present Medicare Part B premium for physicians' services), with Federal subsidies covering the remainder of the premium cost.

-- The poor, i.e. those below a low income standard (either the poverty line or some lower standard), would pay no premiums. Persons with incomes marginally above the low-income standard would be eligible for Federal subsidies on a sliding scale for their portion of the basic premium.

- Cost Containment. To reduce costs, the tentative plan would include modest patient cost-sharing for all but the poor. Through major changes in reimbursement, the plan would seek to achieve significant cost containment. Two different types of prospective reimbursement are suggested for discussion:

-- Establishment of a nationwide negotiating structure based on overall health expenditure targets established annually by the Congress, at the recommendation of the Executive. Negotiations between the Executive Branch and the various types of providers would then set payment rates from both public and private sources at levels calculated to meet the target. Not only would this cause providers to manage resources more carefully, but, more importantly, the negotiating mechanism would seek to stabilize health costs as a percentage of the GNP.

-- Establishment by legislative formula of fee schedules for physicians and limits for hospital expenses. Fee schedules and expense limits could be set at the State or sub-State level under the formula, although the ultimate goal would also be to stabilize health costs as a percentage of the GNP.

In the principles you stated: "additional public and private expenditures for improved health benefits and coverage will be substantially offset. . .". And, under preliminary estimates, total health system spending in 1990, when the tentative plan is fully implemented, would be \$50-70-billion-less-than spending without the cost controls, health system reforms and contemplated benefit expansions. (This estimate assumes very tight cost containment and savings from increased prevention, primary care and HMO participation.)

- Phasing and Triggering. To allow for the orderly phasing of expanded benefits, the Plan sets out an innovative approach that would simultaneously move the aged, the poor, the employed and other groups through five stages on the way towards full implementation.
 - This approach is based on the premise that, for both equitable and strategic reasons, expansion of benefits for the major population groups in need -- the aged, the poor, the employed and others -- should proceed in tandem and should be tied to other cost containment and system reforms. Otherwise, needy groups may never get the full expansion of benefits or undesirable distortions may occur in the health care system (e.g., excessive costs due to unnecessary inpatient expenses).
 - The phasing proposal relates stages of the plan to two vitally important structural alterations in the present health care system:
 - i. for the poor, aged and disabled, the merger of Medicare and Medicaid */ into a single public insurance program: Healthcare;

*/ Restructuring Medicaid must be related to the increasingly expensive long term care problem, and the extent to which the States will assume financial and structural responsibility for that problem.

- ii. for the employed and others, the movement from the current voluntary enrollment system with incomplete coverage and varying benefits to a mandatory system based, first, on premium financing and, second, on the requirement that employers cover workers in either the public or qualified private plans.

The way we increase the income level at which we fully subsidize low income citizens (or the way we vary eligibility for particular types of low income citizens, e.g., children and pregnant women), determines, in large measure, the amount of federal funds needed to support each phase. By varying the deductible, coinsurance and percent of the basic premium paid by the employer -- where employer coverage is mandated -- we can also calibrate both the additional burden on employers and the correspondingly lighter burden on employees in various phases.

-- Thus, the tentative plan's phasing approach is quite flexible at this point, and will allow wide-ranging discussions on the appropriate early phases of the NHP.

-- The plan also includes a discussion of the various triggers (or preconditions) that can be used to control the pace of full implementation: cost performance triggers, federal budget triggers, general economic triggers or triggers based on successful implementation of necessary administrative and regulatory mechanisms.

- Continuity with Existing Initiatives. To ensure continuity with existing Administration initiatives, the Plan would build directly on our efforts in such important areas as prevention, manpower, HMOs and health planning.

Discussion Document. Not only does the tentative plan set out suggested provisions for debate and criticism, but it also describes alternative approaches and the criteria for choosing among them. As such, the tentative plan should be an effective stimulus for intelligent and pointed discussion about the complex issues facing the nation's health care system. Although it is far from a finished legislative proposal, it does represent a major advance in the design of a National Health Plan.

III. A PROPOSED STRATEGY FOR THE NATIONAL HEALTH PLAN

The Basic Problem. Decisions about how to proceed with the National Health Plan must be seen against the backdrop of a basic dilemma.

- The economic and budgetary climate is obviously not conducive to introduction of a multi-billion dollar spending initiative -- even one that would not begin to take effect until Fiscal 1983 and that would propose cost controls and other system reforms in conjunction with expanded benefits. Yet in the Presidential campaign, in July and, again, in Memphis you have reiterated your ultimate commitment to a universal, comprehensive National Health Plan. True

The Proposed Strategy. To deal with this fundamental problem, I suggest the following steps:

- (1) HEW should release the tentative plan later this month after the State of the Union. I would indicate that I am following your directive and that, before I make final recommendations to you on the shape of legislation in the 96th Congress, we must engage in extensive discussions with all concerned parties because this is an extraordinarily complex problem and because you want me to obtain focused, cogent criticism before you decide how to proceed. no
- (2) HEW Should Engage in Extensive Consultation for Two or Three Months. no

This consultation will serve a number of important functions.

- We will learn a great deal. I cannot emphasize too strongly that there is a manifest need for intelligent, substantive public discussion of the issues.*/ Except for a catastrophic bill in 1970, no national health insurance proposal has ever gotten out of committee and, except for 1971 and 1974 hearings in Ways and Means, no national health insurance bill has been accorded in-depth Congressional attention.
- We will be able to produce a far better Phase I proposal if that is the course you ultimately choose to follow. As noted, it is imperative that, if we go with a Phase I proposal, it make the most structural sense in terms of being a precursor of more fundamental, long-term reforms. Detailed consultations, with the comprehensive plan as a starting point, will make this possible.
- We will be able to determine what the relevant State, local, consumer and interest group actors want and what they think is possible administratively, financially, and politically. This record will serve us well if we decide only to introduce a Phase I bill since it is likely to indicate a broadly based sentiment of caution. In any event, we should consult widely and let the many interested parties express their views before you decide to change course.
- We will, correlatively, be able to get a much more fine-grained sense of what is possible in the 96th Congress. As noted, because of

*/ The health system deals with 170 million Americans each year, and the transactions number in the hundreds of millions. The administrative problems alone are extremely difficult -- and a special appendix to the tentative plan sets out some of the more salient problems in some detail.

the torrent of business flowing into Ways and Means and Finance, and uncertainty about House Health Subcommittee chairmanships, it will not be possible to take detailed soundings and sort out legislative prospects for several months.

- (3) HEW should formulate final legislative recommendations immediately after consultation.
- (4) Presidential decision-making on the NHP legislation for the 96th Congress should then take place.

In addition to those four steps regarding the NHP itself, two other actions should, in my judgment, be taken immediately.

First, we should introduce, and press for, other Administration initiatives in health, e.g.

- Hospital Cost Containment
- CHAP
- Health Planning Reforms
- Manpower Reforms
- Mental Health Reforms

Unlike a Phase I bill, which would not be implemented until 1983, these legislative initiatives would be implemented immediately after passage.

Moreover, these initiatives should, as noted, move quickly ahead of any NHP proposal to maximize chances of passage.

- If they are tied to NHP, they could be slowed down and possibly lost.
- If, as some have suggested, these initiatives are packaged as a Phase I proposal in and of themselves, we would incur derision for trying to get out of our NHP dilemma simply by putting a label on initiatives we had previously proposed.

Second, The State of the Union could indicate your continuing concern about health cost inflation, about the importance of extending health coverage to those in need as budgetary and economic conditions allow, and about the need to push for other changes in the health system such as stimulating HMOs and increasing preventive services. I would suggest that

- you specifically mention the immediate legislative initiatives noted above in addition to other Administration efforts in areas like prevention, putting special emphasis on CHAP's improvements for poor children and pregnant women; and that, on NHP,
- you reiterate your July message by saying that you will move forward on an NHP this year after I have floated a tentative plan for discussion, that you want to pass as much as we possibly can in the 96th Congress but that you must be mindful of economic and budgetary concerns. (Draft State of the Union language is attached at TAB C).

The Strategy Evaluated. There are obvious advantages to the strategy I have outlined: it allows you to meet your July commitment; it allows you to keep your distance from this issue until we have learned more and been able to take a more complete survey of the lay of the land; it maximizes the possibility that we will produce a sound Phase I proposal that will link substantively to the kind of reforms in the health care system that you and I both want.

Several objections might be launched against this approach. But, in my judgment, none of them have merit.

- Some would argue that we should move now in order to find legislative time for a Phase I bill in the 96th Congress. But the relevant Committees are not likely to determine either their timetable or their preferences in this area for three or four months.
- Some would argue that we should not put out the universal and comprehensive proposal, even in tentative form, since we are likely to propose

only a Phase I bill, at best, and will thus have to bear all the criticism directed at the large bill without obtaining any benefit. The essential rebuttal to this point -- beyond the need for you to keep your universal and comprehensive commitment by having your health agency sketch out the total vision -- is that only if we have a sense of where we should go in the future can we devise a sound Phase I plan. For example, mandatory employer based premium financing is a core concept in the total plan, in desirable ultimate reform, and in phasing. The plan must be discussed in its entirety before we can decide finally how to employ the concept in a Phase I plan.

- Finally, some would argue that the large plan is inconsistent with your commitment to restrain the growth of the Federal budget and to fight inflation. But, all our discussions of the plan will take place in the context of the basic need to get health system costs under control. And, because the plan is a tentative HEW product, has flexible phasing options, will include a variety of triggering concepts, and will not, in any event, begin until Fiscal 1983, you should have ample room to say that you have made no final decisions and that you continue to be deeply concerned about the budget and inflation.

In any event, long-time proponents of National Health Insurance are likely to attack the tentative plan upon its appearance because of phasing and triggering -- as they did last summer -- thus allowing the tentative plan to appear relatively moderate. Moreover, they will be forced to come up with a comparably detailed alternative and thus will be forced to deal with the extremely difficult substantive problems rather than merely criticizing our efforts. And, even if you decide to go with a Phase I plan, allowing us to put out the tentative plan, will put you in a better position to propose a Phase I bill (you will look measured and moderate in cutting back from the very large plan) than if you simply go out with a Phase I bill immediately (its price tag will seem large without an even larger plan as a standard of comparison).

IV. THE DECISION

As noted, this memorandum seeks your approval to follow the strategy outlined above.

I recognize that there are others in the Administration who would prefer either to do nothing or to propose a limited Phase I plan that spends incremental Federal dollars on providing catastrophic protection for all, without putting out a tentative comprehensive plan first.

But doing nothing is simply not tolerable. And there are, as noted, fundamental problems in proposing a Federally-financed catastrophic plan for all our citizens as the first phase of the NHP.

- A federally financed catastrophic plan for all is not a high priority use of limited budgetary resources. Such a plan would cost about \$7-10 billion. If we are going to commit resources for Fiscal 1983 in that range we ought to seek more fundamental reform at a slightly higher price.
- It is not likely to help the poor. A federally financed catastrophic plan would likely be based on a \$2500 dollar deductible. But this would still leave the poor exposed to devastating catastrophic medical expenses. Of the 7 million families with out of pocket expenses in excess of 15 percent of income in 1978, 5.1 million were poor or near poor. A federally financed catastrophic plan based on income, rather than a flat deductible, would create an administrative mess that would bear no relation to sound reform in the future.
- It would lead to poor health policy. Catastrophic coverage alone would distort the health care system. As noted, any improvements in financial protection against high medical expenses should be carefully phased in with better coverage of preventive and other primary care services as well as improved coverage for the poor and the aged.

- It is poor health strategy. It would materially reduce our chances for effecting other major health reforms by eliminating an essential piece of the health coalition that we must assemble to legislate needed changes in the health care system.

The first phases of the tentative plan would not suffer from these defects.

On issues as complicated and volatile as this I think you should defer decisions until you have as much programmatic, economic and political information as possible. We will have a much better feel for all of these in the next three or four months if we have a broad plan out for discussion.

I thus urge you to let us move forward under the July Directive, to release publicly the tentative plan, to consult intensively, and to present you with substantive recommendations later in the Spring.

_____ Approve (recommended)

_____ Disapprove